

ORIGINAL



0000061033

BEFORE THE ARIZONA CORPORATION COMMISSION

02

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

2005 SEP -1 P 2:41

AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

SEP -1 2006

DOCKETED BY

NR

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR  
APPROVALS ASSOCIATED WITH A  
PROPOSED TRANSACTION WITH MARICOPA  
COUNTY MUNICIPAL WATER  
CONSERVATION DISTRICT NUMBER ONE TO  
ALLOW THE CONSTRUCTION OF A SURFACE  
WATER TREATMENT FACILITY KNOWN AS  
THE WHITE TANKS PROJECT

DOCKET NO. W-01303A-05-0718

**ARIZONA-AMERICAN WATER  
COMPANY**

**REVISED APPLICATION**

**I. INTRODUCTION**

On October 11, 2005, Arizona-American Water Company ("Arizona-American" or the "Company") filed for certain approvals associated with construction of a water treatment facility known as the White Tanks Regional Water Treatment Facility ("White Tanks Plant"). The White Tanks Plant is designed to treat water delivered from the Central Arizona Project for distribution to Arizona-American's customers in its Agua Fria Water District. In Arizona-American's initial application, the White Tanks Plant was to be financed, built, and owned by the Maricopa County Municipal Water Conservation District Number One ("MWD"). Further, Arizona-American would obtain treatment services through a long-term capital lease with MWD, and an Arizona-American affiliate would operate the plant through an Operation and Maintenance Agreement with MWD. As part of that application, Arizona-American asked for approval of a number of requests.

Arizona-American still believes that the White Tanks Plant is needed to support future growth in our Agua Fria Water District. It will allow us to provide safe, reliable, supplies of

1 renewable water to our customers, and largely avoid the need to drill new water wells. However,  
2 circumstances have changed since the initial application. MWD no longer wishes to finance,  
3 build, and own the White Tanks Plant.

4 Arizona-American can construct, own, and operate the White Tanks Plant, but it will not  
5 be able to do so under a conventional rate-making model, where the Company would finance the  
6 facility during construction, then file a rate case after the facility was completed, and then wait to  
7 begin recovery on and of its investment until after the rate case concluded. Arizona-American's  
8 financial situation will not allow it to attract the funds needed for a project of this size. To  
9 support construction of the White Tanks Plant, Arizona-American will have to significantly  
10 increase the current hook-up fees charged for new connections in its Agua Fria Water District.  
11 This will bring hook-up fees closer to the levels in effect or proposed in other fast-growing areas  
12 of Maricopa County.

13 Most of the approvals originally requested are no longer needed, but Arizona-American  
14 will still need certain accounting approvals in order to construct the White Tanks Plant. An  
15 evidentiary hearing should not be needed to process this revised application.

## 16 **II. BACKGROUND**

17 Arizona-American is a public service corporation engaged in providing water and  
18 wastewater utility services in portions of Maricopa, Mohave, and Santa Cruz Counties, Arizona,  
19 pursuant to various certificates of public convenience and necessity granted by the Arizona  
20 Corporation Commission (the "Commission") to Arizona-American and its predecessors in  
21 interest. The Company presently provides utility service to approximately 100,000 water  
22 customers and 50,000 sewer customers in Arizona, and is Arizona's largest investor-owned  
23 water and wastewater utility. Arizona-American's Agua Fria District is located in the rapidly  
24 developing western Phoenix suburbs (generally north of I-10, between the White Tank  
25 Mountains and the 101 Expressway), where the Company currently has about 30,000 water  
26 customers and is adding approximately 3,500 new water customers per year.

The Company's central business office is located at 19820 North Seventh Street, Suite 201, Phoenix, Arizona 85024, and its telephone number is (623) 445-2400. The person responsible for overseeing and directing the conduct of this application is Thomas M. Broderick. Mr. Broderick's contact information follows:

Thomas M. Broderick  
Manager, Rates and Regulations, Western Region  
American Water Company  
19820 North Seventh Street, Suite 201  
Phoenix, Arizona 85024  
Tel: (623) 445-2420  
Fax: (623) 445-2454  
Email: Tom.Broderick@amwater.com

Please direct all data requests and other requests for information concerning this revised application to Mr. Broderick, with a copy to Arizona-American's undersigned counsel.

### **III. THE WHITE TANKS PLANT**

As part of its initial application in this case, Arizona-American filed the White Tanks Report. The Report is no longer part of the revised application.

#### **A. Regional Need for Surface Water Treatment Facility**

Over the last 50 years, the West Valley has developed largely based on groundwater resources. As a result, groundwater overdraft and depletion in the area has been severe. Arizona-American and other entities serving the West Valley have access to Colorado River water delivered through canals and other facilities owned by the Central Arizona Project ("CAP"). However, treatment is required for this water to meet drinking-water standards.

In 1997, a number of western Maricopa County municipalities and private water companies holding CAP water contracts formed WESTCAPS to develop cooperative regional solutions for use of the region's CAP water allocations and other renewable water supplies. This effort was driven by the concerns of the Arizona Department of Water Resources ("ADWR") and West Valley water providers about the long-term consequences of continuing to use only groundwater to support population growth. Continuing to rely solely on groundwater would be

1 imprudent because of accelerated groundwater level declines, land subsidence, declining well-  
2 production rates, and the increasing number of wells that could not meet Safe Drinking Water  
3 Act standards.

4 WESTCAPS determined that regional planning was needed to develop the most cost-  
5 effective strategy to supply the water needed to support the growth expected in the West Valley.  
6 To facilitate the WESTCAPS plan development and the curtailment of groundwater use in the  
7 West Valley, ADWR contributed a total of \$200,000 toward the study. The U.S. Bureau of  
8 Reclamation also contributed over \$1,000,000 of in-kind services toward the project.

9 In April 2001, WESTCAPS released its Regional Water Supply Plan. Groundwater  
10 modeling studies, conducted by ADWR and by the Bureau of Reclamation as part of the  
11 WESTCAPS study, warned that continued reliance on groundwater to support new development  
12 will result in long-term groundwater declines that approach or exceed the ADWR Assured Water  
13 Supply limit of 1000 feet below land surface. This would also accelerate land-subsidence  
14 problems. The Regional Water Supply Plan concluded that the area's water suppliers should  
15 maximize their use of CAP water and other surface water resources. To treat that water,  
16 WESTCAPS recommended the construction of two regional treatment facilities.

17 One of those treatment facilities has become the White Tanks Regional Water Treatment  
18 Facility ("White Tanks Plant"). The WESTCAPS study selected the site of the proposed White  
19 Tanks Plant (Cactus and Perryville Road, on the Beardsley canal) because of its location on the  
20 canal and its proximity to multiple water provider service areas. The 45-acre plant site is large  
21 enough to support a facility that could ultimately treat up to 80 million gallons per day (MGD).

22 Arizona-American's recent experience underscores the need for the White Tanks Plant.  
23 Most recently constructed wells within the Agua Fria District have exhibited poor water quality  
24 and low rates of water production. Over the last few years, levels of arsenic, fluoride, nitrate,  
25 chromium, or other constituents in excess of Federal and State drinking water standards have  
26 become all-too common in new wells constructed within the Agua Fria District south of

1 Greenway Road. These wells will require expensive wellhead treatment systems to remove the  
2 contaminants at a considerably higher total capital and operation and maintenance cost than  
3 needed for wells only a few years ago. To locate water, deeper drilling has been necessary,  
4 which raises capital costs and increases pumping costs (electricity). In addition, well yields  
5 below Greenway have been lower than for new wells north of Greenway. Overall, Arizona-  
6 American's recent experience with new well construction—whether drilled by the Company or  
7 by a developer—highlights the need for surface water treatment plant capacity to minimize long-  
8 term water costs for Arizona-American's customers in its Agua Fria District.

9 **B. Project Background**

10 Arizona-American holds a CAP-water subcontract for 11,093 acre-feet per year, which  
11 will require treatment before it can be delivered to its Agua Fria customers. In addition,  
12 Arizona-American and MWD have an agreement whereby MWD will provide Agua Fria River  
13 Water it now controls to Arizona-American for treatment and delivery to its customers residing  
14 within the MWD area. Arizona-American estimates that this agreement will result in up to  
15 21,000 acre-feet per year of additional surface water being available for direct treatment and  
16 delivery at buildout of the Agua Fria District.

17 In 2002, Arizona-American began moving forward with the regional treatment plant  
18 concept by purchasing a 45-acre parcel of land at the site identified in the WESTCAPS Regional  
19 Water Supply Plan. At that time, Arizona-American believed that it could obtain financing to  
20 design, build, and operate this regional treatment facility—the White Tanks Plant.

21 In 2003, Arizona-American signed a contract for design and construction of the White  
22 Tanks Plant with the Joint Venture of Black and Veatch (design and engineering), and Western  
23 Summit Constructors, Inc. (construction). The White Tanks Plant is designed to be constructed  
24 in phases. The capacity of the Phase I(a) plant is 13.5 MGD and is expandable to 20 MGD  
25 (Phase I(b)) with the addition of one more treatment-unit train. Three additional phases (20

1 MGD each) can eventually be added, depending on the rate of development in the region, for a  
2 total treatment capacity of 80 MGD.

3 Arizona-American now projects that the White Tanks Plant will be needed in May 2009  
4 to meet customer demands expected for that summer. This is one year later than estimated in the  
5 Company's initial application. The Company was able to delay the in-service date one year for  
6 two reasons: customer growth has slowed because of the recent real-estate slowdown, and new  
7 low-cost facilities and resources are being added that will improve water availability in critical  
8 areas of the Agua Fria Water District.

9 Black and Veatch has now finalized the plans for the White Tanks Plant, so that Arizona-  
10 American can competitively bid its construction. Arizona-American intends to begin the  
11 competitive bid process at roughly at the same time as the Commission provides the necessary  
12 approvals requested in this revised application. Permitting (through Maricopa County and other  
13 agencies), of the Phase I plant is essentially complete.

14 **C. Project Schedule**

15 As just discussed, Arizona-American requires additional water-production capacity by  
16 the summer of 2009 to meet its Agua Fria customers' rapidly growing water demands.  
17 Construction of the White Tanks Plant will require approximately 24 months. Therefore, in  
18 order for the plant to be available to meet summer-2009 demands, construction must begin  
19 during the second quarter of 2007. An abbreviated schedule of significant milestones follows:

- 20 • Commission Approval (Q4 2006)
- 21 • RFP for Construction Contract Issued (Q4 2006)
- 22 • Conditional Construction Contract Awarded (Q1 2007)
- 23 • Construction Begins (Q2 2007)
- 24 • Construction Completed (Q2 2009)

1           **D. Construction Cost**

2           Exhibit A to this revised application summarizes the latest cost estimates for the White  
3           Tanks Plant. For a 6.7 MGD plant, Arizona-American estimates a total cost of \$64,815,000. For  
4           a 13.5 MGD plant the estimated cost increases by just \$2,510,000 to \$67,325,000. The  
5           difference is largely attributable to adding one more treatment train during initial construction.  
6           Given the relatively small difference for twice the treatment capacity, it would not be prudent to  
7           initially build the smaller capacity plant and then add the treatment train later. This would likely  
8           be significantly more expensive, because a contractor would have to mobilize a new work force  
9           and add the new treatment train while the facility was actually operating. The operation and  
10          maintenance costs associated with the two options should be the same, until such time as the  
11          additional capacity is actually needed.

12          Other entities have approached Arizona-American concerning purchasing treatment  
13          services at the completed plant. If the additional capacity is immediately available, this will  
14          make the White Tanks Plant more attractive to other purchasers. In turn, third-party purchases  
15          would reduce the future revenue requirement or hook-up fees required to recover the cost of the  
16          facility.

17          **IV. WATER SUPPLY ALTERNATIVE**

18          The alternative to the White Tanks Plant would be business as usual—continuing to rely  
19          on groundwater supplies. Arizona-American does not believe that this option would be wise for  
20          several reasons.

21          A well-construction option is problematic. As discussed above, in the Agua Fria District  
22          Arizona-American and developers have been finding it increasingly more difficult to locate and  
23          obtain suitable well sites. ADWR well-spacing regulations have made permitting of high  
24          capacity wells extremely difficult. Flow rates in many new wells south of Greenway have been  
25          disappointing. Several wells drilled or tested for potable water supply in this area have proven  
26          completely unusable. Further, most new wells in the area south of Greenway are requiring

1 arsenic treatment. Levels of arsenic, fluorides, nitrates, and chromium are also troubling and  
2 may require additional high-cost treatment.

3 Even if high-quality, high-yield, wells could be found, continuing to drill wells would be  
4 contrary to public policy. Groundwater modeling studies conducted by ADWR and by the  
5 Bureau of Reclamation warn that continued reliance on groundwater to support new  
6 development would cause unacceptable groundwater level declines and accelerate land-  
7 subsidence problems. Also, the WESTCAPS study concluded that the area's water suppliers  
8 should maximize their use of CAP and other surface water resources and recommended the  
9 construction of two regional treatment facilities, one of which is the White Tanks Plant. Finally,  
10 the Commission has strongly encouraged utilities under its jurisdiction to make full use of  
11 surface-water resources, which cannot be delivered to customers without treatment.

12 For all these reasons, construction of the White Tanks Plant is the prudent course of  
13 action.

14 **V. INITIAL APPLICATION**

15 Arizona-American's initial application in this case also requested certain approvals  
16 needed for construction of the White Tanks Plant. Like the revised application, the initial  
17 application asked to increase hook-up fees in the Company's Agua Fria Water District to fund  
18 the White Tanks Plant. However, the initial application was substantially more complicated than  
19 the revised application, because of several factors:

- 20 • Arizona-American was to sell the plant site, a pipeline, and other assets to MWD to  
21 be included as part of the White Tanks Plant.
- 22 • MWD was to finance, construct, and own the White Tanks Plant.
- 23 • Arizona-American's long-term commitment for a majority of the White Tank Plant's  
24 treatment capacity required that the transaction be accounted for as a capital lease.
- 25 • An Arizona-American affiliate was to operate and maintain the White Tanks Plant  
26 under a long-term O&M agreement.



Because of these factors, Arizona-American had to request several approvals from the Commission that are no longer needed:

- Authorize Arizona-American Water Company under A.R.S. § 40-301 *et. seq* to issue an evidence of indebtedness in an amount equal to the capital lease asset and determined consistent with the methodology set forth in Attachment B to the initial application;
- Authorize Arizona-American Water Company under A.R.S. § 40-285 to transfer the Pipeline Main and other assets to MWD;
- Find that it is prudent for Arizona-American Water Company to enter into the agreements contemplated in the MOU, including the proposed capital lease with MWD;
- Approve the regulatory process set forth in Section IVA of the White Tanks Report; and
- Authorize the ratemaking treatment set in Section IVB of the White Tanks Report for the proposed capital lease and associated documents between Arizona-American and MWD.

In the next sections, Arizona-American will describe the few approvals needed for it to proceed with the White Tanks Plant on its own.

## **VI. TWO ALTERNATIVE REQUESTS**

### **A. Option 1**

In its Agua Fria District, Arizona-American is currently charging builders a Water Facilities Hook-Up Fee of only \$1,150 for 5/8 x 3/4-inch meters, \$1,750 for 3/4-inch meters, \$2,875 for one-inch meters, with increasing fees for larger meters. This is substantially less than builders are paying in similar high-growth areas in Maricopa County. For example, in the City of Peoria, the current water hook-up fee for 3/4 and one-inch meters is \$3,497. The City of Surprise is proposing new development fees for Water Resources (\$3,447) and Drinking Water

1 System (\$3,500) totaling \$6,955 for new-home residential water customers with 3/4-inch meters.  
2 Finally, in Decision No. 68857, the Commission approved a rate-base reduction tariff for  
3 Arizona-American's Anthem Water District. This tariff applies to all new connections and starts  
4 at \$3,000 for 5/8 x 3/4-inch meters. The rate-base reduction tariff is on top of a \$765 per  
5 equivalent residential unit capacity reservation charge.

6 For Option 1, Arizona-American proposes to increase its hook-up fee to the same level as  
7 the rate-base reduction fee in effect for its Anthem Water District. Exhibit B lists by year each  
8 capital project that is currently eligible for recovery through funds generated by the Agua Fria  
9 Water Facilities Hook-Up Fee. The 13.5 MGD White Tanks Plant is listed in the first row, with  
10 the total cost equal to the \$67,325,000 detailed in Exhibit A. Total projected CapEx for eligible  
11 projects, including the White Tanks Plant, equals \$132,892,655.

12 Exhibit C is a spreadsheet that projects Water Facilities Hook-Up Fee collections and  
13 offsets collections against the eligible water projects listed in Exhibit B. Essentially, present  
14 anticipated hook-up fee collections will be enough only to fund existing projects. If the White  
15 Tanks Plant is built, there will be a permanent deficit in excess of \$70,000,000, which would  
16 have to be funded through increased rates.

17 Option 1 is shown on Exhibit D. It resets the Water Facilities Hook-Up Fees to the level  
18 recently approved by the Commission for Arizona-American's Anthem Water District. At these  
19 levels, the White Tanks Plant would be fully funded, but not until late 2013. Further, without an  
20 accounting order, Arizona-American would not be able to recover its carrying costs on the  
21 unrecovered balance, so it would still not be made whole on its investment for the benefit of its  
22 customers.

23 **A. Option 2**

24 Option 2 is shown on Exhibit E. It resets the Water Facilities Hook-Up Fees to levels  
25 roughly sufficient to fund the White Tanks Plant in the year it enters service – 2009. This hook-  
26 up fee would start at \$4,700 for a 5/8 x 3/4-inch meter.

1           **VII. ACCOUNTING ORDER**

2           Arizona-American also requests an accounting order to cover two matters:

3           First, the order should provide Arizona-American the ability to accrue post-in-service  
4 AFUDC on the unfunded balance of the White Tanks Plant investment. This will allow Arizona-  
5 American to be made whole on its investment until hook-up fees collections are sufficient to  
6 fund the entire Plant balance. Even with Option 2, there is an expected lag between plant  
7 completion and the needed hook-up fee collections. And if growth is less than expected, this lag  
8 could be even greater. Customers should be indifferent because the hook-up fee funds will be  
9 treated as contributions and will completely offset the plant investment, including the post-in-  
10 service AFUDC.

11           Second, the order should provide that collected hook-up fees will not be considered to be  
12 contributions until some corresponding eligible plant enters service. Because CWIP is not  
13 included in rate base, the contribution balance would otherwise grow far faster than rate base,  
14 causing rate base to decline rapidly, only to then bounce back as the plant entered service.  
15 Earnings would also yo-yo.

16           **VIII. 2008 RATE CASE**

17           In Decision No. 68825, the Commission required Arizona-American to file a rate case for  
18 its Agua Fria District by no later than May 31, 2008, based on a 2007 test year. Arizona-  
19 American would like to include two proposals related to the White Tanks Plant in that filing.

20           First, Arizona-American would propose to adjust the Water Facilities Hook-Up Fees  
21 based on information known to that date. This will include:

- 22           • Actual to-date plant costs;
- 23           • The effects of any third-party treatment contracts;
- 24           • Actual hook-up fee collections;
- 25           • Revised projected customer additions and meter preferences; and
- 26           • Future capital requirements.

1           Second, Arizona-American would propose a mechanism, similar to the Commission's  
2           ACRM procedure, to recover operation and maintenance costs associated with the White Tanks  
3           Plant between rate cases. The Company currently estimates that these O&M costs will be  
4           approximately \$1.5 million per year, based on current media, electricity, and other costs.

5           **IX. NO HEARING REQUIRED**

6           Because Arizona-American is asking only to adjust the existing Water Facilities Hook-  
7           Up Fees and for an accounting order, no hearing should be required. Hook-up fee collections  
8           that exceed current requirements are kept in a separate account and do not affect earnings.  
9           However, time is of the essence if the White Tanks Plant is to enter service in time to satisfy  
10          peak-demands expected in 2009. Therefore, Arizona-American asks that a Staff Report be  
11          issued by October 13, 2006, and that Arizona-American and any other parties be provided until  
12          November 3, 2006, the opportunity to respond, in the nature of exceptions, to the Staff Report.  
13          This should allow this matter to be considered at the Commission's regularly scheduled  
14          November 21-22, 2006, Open Meeting.

15          **X. CUSTOMER BENEFITS**

16          There are a number of important customer benefits to construction of the White Tanks  
17          Plant and the associated approvals:

- 18           • The transaction will make possible the construction of a regional surface-water  
19           treatment facility known as the White Tanks Plant.
- 20           • Arizona-American will be able to use its share of the treatment capacity at the White  
21           Tanks Plant to treat its entitlement to Colorado River water delivered through  
22           facilities of the Central Arizona Project and its future Agua Fria River Water  
23           entitlement.
- 24           • Consistent with state, local, and Commission policy, the transaction will preserve  
25           groundwater resources throughout the Company's Agua Fria District by significantly  
26           reducing anticipated groundwater usage.

- With the hook-up fee adjustments, there should be no near-term rate increases for existing customers.

**XI. REQUESTED COMMISSION ACTIONS**

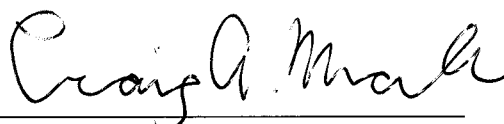
Arizona-American requests the following specific actions from the Commission as part of its order in this proceeding:

- Adjust the Water Facilities Hook-Up Fees in accordance with either Option 1 or Option 2, above.
- Provide an Accounting Order as described in Section VII, above.
- Order Arizona-American to file, as part of its 2008 Agua Fria Rate Filing, a revised Water Facilities Hook-Up Fee proposal based on the best information known to the Company at that time.
- Order Arizona-American to file, as part of its 2008 Agua Fria Rate Filing, for approval of a proposed mechanism, similar to the Commission's ACRM procedure, to recover operation and maintenance expense for the White Tanks Plant incurred between rate cases.

**XII. CONCLUSION**

For all the reasons set forth above Arizona-American Water Company asks the Commission to provide the requested relief.

RESPECTFULLY SUBMITTED on September 1, 2006.



Craig A. Marks  
Corporate Counsel  
Arizona-American Water Company  
19820 N. 7<sup>th</sup> Street  
Suite 201  
Phoenix, Arizona 85024  
(623) 445-2442  
Craig.Marks@amwater.com

DOCKET No. W-01303A-05-0718  
Arizona-American Water Company  
Revised Application  
Page 14 of 14

Original and 13 copies filed  
on September 1, 2006, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Copies of the foregoing mailed  
on September 1, 2006, to:

Teena Wolfe  
Administrative Law Judge  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

Keith Layton  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

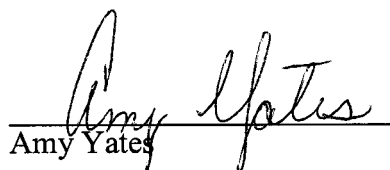
Steve Olea  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

James Dorf  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

Scott S. Wakefield  
Chief Counsel  
Residential Utility Consumer Office  
1110 West Washington Street  
Suite 220  
Phoenix, Arizona 85007

Mary Lee Diaz Cortez  
Residential Utility Consumer Office  
1110 West Washington Street  
Suite 220  
Phoenix, Arizona 85007

By:

  
Amy Yates

7/31/2006  
b. vanderson

FOOTNOTES:

(1) ADJUSTED TO MATCH TREND REGISTER

(2) REFLECTS AZ AMERICAN SOW CHANGE. ELIMINATE ONE FINISHED WATER RESERVOIR (\$750K), DOWNSIZE UV (\$50K), & ELECTRICAL DOWNSIZING (-\$100K)

(3) INFLATION INCREASE REPRESENTS A OF: DELTA 12% VERSUS 8% PER YEAR AS USED IN PREVIOUS ESTIMATES, ALSO REFLECTS MATERIAL INCREASE FOR ELECTRICAL (\$300K)

(4) CONTINGENCY VARIES BASED ON CALCULATION (BASED ON 5%)

(5) REFLECTS AZ AMERICAN SOW CHANGE. ADDING BACK IN RAW WATER STORAGE BASIN, FLOCC BASIN, DAF CLARIFIER, & FILTER (SUM OF THESE ITEMS IS ->\$1M)

NOTE:  
COST BREAKDOWN (HIGHLIGHTS) FOR THE ADMIN BUILDING:

- > LAB EQUIPMENT \$30k (BID ALLOWANCE)
- > SHOP EQUIPMENT \$30k (BID ALLOWANCE)
- > COMPUTER EQUIPMENT \$20k (BID ALLOWANCE)
- > ESTIMATED COST TO CONSTRUCT ADMIN BLDG IS

Capital Expenditures Related to Water Hook-Up Fees

District	Brief Description of Proposed Expenditures	Prior	Total 2006	Total 2007	Total 2008	Total 2009	Total 2010	Total 2011	Post 2011	Total
<b>Agua Fria Water Investment Projects</b>										
23610204	AF White Tanks CAP Treatment Plant	5,924,071	175,929	15,237,000	27,335,000	18,653,000	-	-	-	67,325,000
23610205	AF Surface Water Trunk Main Ph 1	9,735,508	339,492	-	-	-	-	-	-	10,075,000
23610602	AF White Tanks Trans Pipeline	-	25,000	2,750,000	-	-	-	-	-	2,775,000
23610401	AF Verrado Zone 3S Reservoir Expansion	47,303	2,087,697	-	-	-	-	-	-	2,135,000
23610501	AF WP 11 (Verrado Zone 3N BPS)	-	-	-	163,500	1,362,000	-	-	-	1,525,500
23610506	AF Well 7.3 (Corte Bella Well 3)	-	-	-	-	425,390	1,489,665	-	-	1,915,055
23610512	AF WP 9 Additional Pumps	146,526	3,474	-	-	-	-	-	-	150,000
23610513	AF WP 5 Expansion	-	-	-	-	-	-	-	1,936,750	1,936,750
23610515	AF Sierra Montana Plant Expansion	-	-	250,000	2,511,250	-	-	-	-	2,761,250
23610516	AF Corte Bella Plant Expansion	-	-	-	-	-	-	-	2,540,000	2,540,000
23610517	AF Verrado Z3N Reservoir	-	-	-	327,000	3,632,000	-	-	-	3,959,000
23610601	AF Verrado Zone 6 Reservoir 1.2MG	-	-	-	-	-	141,600	1,470,000	-	1,611,600
23610604	AF 303 Corridor BPS	-	-	-	-	794,500	-	612,500	-	2,677,000
23610605	AF Westcor BPS	-	-	-	-	-	-	-	-	1,270,000
23610608	AF Rancho Cabrillo - New Well / Storage / Booster site	-	-	-	-	-	-	-	1,016,000	1,016,000
23610609	AF Verrado WTP Zone 5N Booster Pump Station	-	-	-	-	113,500	1,180,000	-	-	1,293,500
23610610	AF Verrado WTP Zone 6N Booster Pump Station	-	-	-	-	-	118,000	-	-	1,343,000
23610611	AF Sierra Montana Plant Expansion - Phase 2	-	-	-	-	-	-	1,225,000	-	635,000
2361XXXX	Sedella Transmission Main	-	-	-	-	340,500	590,000	-	-	4,740,500
2361YYYY	Westcor BPS Trans Line	-	-	-	-	3,405,000	-	1,225,000	-	2,495,000
2361ZZZZ	AF Verrado Z3N Trans Main	-	100,000	800,000	381,500	-	-	-	-	3,786,500
2361AAAA	AF Verrado Z6S BPS	-	-	-	-	-	-	-	-	900,000
2361BBBB	AF Verrado Z4N BPS	-	-	-	-	113,500	1,180,000	-	-	1,293,500
2361DDDD	AF Verrado Z8 BPS	-	-	-	-	-	-	122,500	635,000	757,500
2361EEEE	AF Verrado Z8 Reservoir	-	100,000	-	-	-	-	122,500	-	1,392,500
2361CCCC	AF Dist System/SOS Improvement Ph 1	-	-	-	-	-	-	-	-	100,000
2361FFFF	AF Dist System/SOS Improvement Ph 2	-	-	600,000	-	-	-	-	-	600,000
2361GGGG	AF Dist System/SOS Improvement Ph 3	-	-	500,000	5,450,000	-	-	-	-	5,950,000
	AF Prasada BPS	-	-	-	-	-	-	-	-	1,270,000
	AF Sedella BPS	-	-	-	-	567,500	826,000	-	-	2,663,500
<b>Total</b>		<b>15,853,408</b>	<b>2,831,592</b>	<b>20,137,000</b>	<b>36,168,250</b>	<b>29,406,890</b>	<b>5,525,265</b>	<b>4,777,500</b>	<b>18,192,750</b>	<b>132,892,655</b>

The numbers above are based upon the current CAPEX budget (Q2RF)

\*This project has a contribution from a Developer of \$571,726.82 in 2006 which reduced American's cost

Average CapEx spend 2006-2011 (excluding White Tanks projects)

5,721,846



Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Expected annual CapEx

Growth	5,721,848
Five eight	0.05
Three four	0.2036
One	0.4348
One half	0.3335
Two	0.0104
Three	0.0177
0	0

Total Water Facilities Hook-Up Fees

100% Check sum of meter size shares

	Existing HUF	No Change	2004	2005	2006	2007	2008	2009	2010	2011	2012
5/8-inch cust.	1,150										
3/4-inch cust.											
1-inch cust.											
1.5-inch cust.											
2-inch cust.											
3-inch cust.											
Customer Growth											
Total Customers											
5/8-inch cust.	\$1,150.00	\$1,150.00									
3/4-inch cust.	\$1,725.00	\$1,725.00									
1-inch cust.	\$2,875.00	\$2,875.00									
1.5-inch cust.	\$5,750.00	\$5,750.00									
2-inch cust.	\$9,200.00	\$9,200.00									
3-inch cust.	\$18,400.00	\$18,400.00									
Total HUF Collections											
Balance Forward											
Existing capex program											
Net Unfunded Plant											

Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Expected annual CapEx

Growth	5,721,846
Five_Eight	0.65
Three_Four	0.2056
One	0.4348
One_half	0.3335
Two	0.0104
Three	0.0177
	0

100%

Total Water Facilities Hook-Up Fees

	Existing HUF	No Change	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$										
Factor	1,150											
5/8-inch cust.	1.00		2983	2983	2983	2983	2983	2983	2983	2983	2983	2983
3/4-inch cust.	1.50		51,297	54,280	57,263	60,246	63,229	66,212	69,195	72,178	75,162	78,145
1-inch cust.	2.50											
1.5-inch cust.	5.00											
2-inch cust.	8.00											
3-inch cust.	16.00											
Customer Growth												
Total Customers			2983	2983	2983	2983	2983	2983	2983	2983	2983	2983
5/8-inch cust.	\$1,150.00	\$1,150.00	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451	\$698,451
3/4-inch cust.	\$1,725.00	\$1,725.00	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377	\$2,237,377
1-inch cust.	\$2,875.00	\$2,875.00	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186	\$2,860,186
1.5-inch cust.	\$5,750.00	\$5,750.00	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386	\$178,386
2-inch cust.	\$9,200.00	\$9,200.00	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760	\$485,760
3-inch cust.	\$18,400.00	\$18,400.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total HUF Collections			\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160	\$ 8,460,160
Balance Forward			\$ 61,071,206	\$ 67,531,366	\$ 73,991,526	\$ 80,451,686	\$ 86,911,847	\$ 93,372,007	\$ 99,832,167	\$ 106,292,327	\$ 112,752,487	\$ 119,212,648
Existing capex program			138,614,501	144,336,347	150,058,193	155,780,039	161,501,885	167,223,731	172,945,577	178,667,423	184,389,269	190,111,115
Net Unfunded Plant			-77,543,295	-76,804,981	-76,066,667	-75,328,353	-74,590,039	-73,851,724	-73,113,410	-72,375,096	-71,636,782	-70,898,468

Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Total Proposed Hook-Up Fees

	Existing HUF \$	Factor	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5/8-inch cust.	1,150.00	3,000		725	791	706	711	689	677	579	607	607	607
3/4-inch cust.	1,500.00	4,500		1,549	1,688	1,508	1,518	1,471	1,446	1,295	1,297	1,297	1,297
1-inch cust.	2,500.00	7,500		1,188	1,295	1,157	1,165	1,128	1,109	947	995	995	995
1.5-inch cust.	5,000.00	15,000		37	40	36	36	35	35	30	31	31	31
2-inch cust.	8,000.00	24,000		63	69	61	62	60	59	50	53	53	53
3-inch cust.	16,000.00	48,000											
Customer Growth				3,563	3,883	3,468	3,482	3,383	3,326	2,841	2,983	2,983	2,983
Total Customers			21,375	24,938	28,821	32,289	35,781	39,164	42,490	45,331	48,314	51,297	54,280
5/8-inch cust.	\$1,150.00	\$ 3,000		\$	\$ 908,650	\$ 2,118,000	\$ 2,133,000	\$ 2,067,000	\$ 2,031,000	\$ 1,737,000	\$ 1,822,047	\$ 1,822,047	\$ 1,822,047
3/4-inch cust.	\$1,725.00	\$ 4,500		\$	\$ 2,911,800	\$ 6,786,000	\$ 6,831,000	\$ 6,619,500	\$ 6,507,000	\$ 5,557,500	\$ 5,836,636	\$ 5,836,636	\$ 5,836,636
1-inch cust.	\$2,875.00	\$ 7,500		\$	\$ 3,723,125	\$ 8,677,500	\$ 8,737,500	\$ 8,460,000	\$ 8,317,500	\$ 7,102,500	\$ 7,461,354	\$ 7,461,354	\$ 7,461,354
1.5-inch cust.	\$5,750.00	\$ 15,000		\$	\$ 230,000	\$ 540,000	\$ 540,000	\$ 525,000	\$ 525,000	\$ 450,000	\$ 465,356	\$ 465,356	\$ 465,356
2-inch cust.	\$8,200.00	\$ 24,000		\$	\$ 634,800	\$ 1,464,000	\$ 1,468,000	\$ 1,440,000	\$ 1,416,000	\$ 1,200,000	\$ 1,267,200	\$ 1,267,200	\$ 1,267,200
3-inch cust.	\$18,400.00	\$ 48,000		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total HUF Collections				\$ 3,988,010	\$ 8,408,375	\$ 19,585,500	\$ 19,728,500	\$ 19,111,500	\$ 18,796,500	\$ 16,047,000	\$ 16,852,592	\$ 16,852,592	\$ 16,852,592
Balance Forward					\$ 12,397,365	\$ 31,962,685	\$ 51,712,365	\$ 70,823,865	\$ 89,620,365	\$ 105,967,385	\$ 122,519,977	\$ 139,372,569	\$ 156,225,161
Existing capex program				15,853,408	18,685,000	38,622,000	74,960,250	104,397,140	109,922,405	114,699,905	132,892,655	138,614,501	144,336,347
Net Unfunded Plant				-11,865,398	-6,287,615	-8,839,115	-23,277,865	-33,573,255	-20,302,020	-8,032,520	-10,372,678	-758,068	-11,888,814

Docket No. W-01303A-05-0716  
Revised Application

Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Total Proposed Hook-Up Fees

	Existing HUF \$	New HUF \$	2015	2016	2017	2018	2019	2020	2021	2022
Factor	1,150	3,000	607	607	607	607	607	607	607	607
1.00	1,150	3,000	1,297	1,297	1,297	1,297	1,297	1,297	1,297	1,297
1.50	1,725	4,500	995	995	995	995	995	995	995	995
2.50	2,875	7,500	31	31	31	31	31	31	31	31
5.00	5,750	15,000	53	53	53	53	53	53	53	53
8.00	9,200	24,000	-	-	-	-	-	-	-	-
16.00	18,400	48,000	-	-	-	-	-	-	-	-
5/8-inch cust.	\$1,150.00	\$3,000	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047
3/4-inch cust.	\$1,725.00	\$4,500	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636
1-inch cust.	\$2,875.00	\$7,500	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354
1.5-inch cust.	\$5,750.00	\$15,000	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356
2-inch cust.	\$9,200.00	\$24,000	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200
3-inch cust.	\$18,400.00	\$48,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Customer Growth			2,983	2,983	2,983	2,983	2,983	2,983	2,983	2,983
Total Customers			57,263	60,246	63,229	66,212	69,195	72,178	75,162	78,145
5/8-inch cust.	\$1,150.00	\$3,000	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047	\$1,822,047
3/4-inch cust.	\$1,725.00	\$4,500	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636	\$5,836,636
1-inch cust.	\$2,875.00	\$7,500	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354	\$7,461,354
1.5-inch cust.	\$5,750.00	\$15,000	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356	\$465,356
2-inch cust.	\$9,200.00	\$24,000	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200	\$1,267,200
3-inch cust.	\$18,400.00	\$48,000	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Total HUF Collections			\$16,852,592	\$16,852,592	\$16,852,592	\$16,852,592	\$16,852,592	\$16,852,592	\$16,852,592	\$16,852,592
Balance Forward			\$173,077,753	\$189,830,344	\$206,782,936	\$223,635,528	\$240,488,120	\$257,340,712	\$274,193,304	\$291,045,895
Existing capex program			150,058,193	155,780,039	161,501,885	167,223,731	172,945,577	178,667,423	184,389,269	190,111,115
Net Undfunded Plant			23,019,559	34,150,305	45,281,051	56,411,797	67,542,543	78,673,289	89,804,034	100,934,780

Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Total Proposed Hook-Up Fees

	Existing HUF \$	1,150 Factor	New HUF 4,700 Factor	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
5/8-inch cust.		1.00	1.00		725	791	706	711	689	677	579	607	607	607
3/4-inch cust.		1.50	1.50		1,549	1,688	1,508	1,518	1,471	1,446	1,235	1,297	1,297	1,297
1-inch cust.		2.50	2.50		1,188	1,295	1,157	1,165	1,128	1,109	947	985	985	985
1.5-inch cust.		5.00	5.00		37	40	36	36	35	35	30	31	31	31
2-inch cust.		8.00	8.00		63	69	61	62	60	59	50	53	53	53
3-inch cust.		16.00	16.00											
Customer Growth					3,563	3,883	3,468	3,492	3,383	3,326	2,841	2,983	2,983	2,983
Total Customers				21,375	24,938	28,821	32,289	35,761	39,164	42,490	45,331	48,314	51,297	54,280
5/8-inch cust.	\$	1,150	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
3/4-inch cust.	\$	1,725	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
1-inch cust.	\$	2,875	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
1.5-inch cust.	\$	5,750	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
2-inch cust.	\$	9,200	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
3-inch cust.	\$	18,400	\$			\$	\$	\$	\$	\$	\$	\$	\$	\$
Total HUF Collections					\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance Forward					\$	8,409,375	30,883,950	30,909,550	29,941,350	29,447,850	25,140,300	26,402,394	26,402,394	28,402,394
Existing capex program						\$	\$	\$	\$	\$	\$	\$	\$	\$
Net Unfunded Plant					15,853,408	18,685,000	38,822,000	74,990,250	104,397,140	109,922,405	114,699,905	132,882,555	138,614,501	144,336,347
					-11,865,398	-6,287,615	4,259,335	-999,365	-464,905	23,457,680	43,820,480	52,030,124	72,710,672	93,391,220

Collected Hook-Up Fees as of 12/31/05

\$ 3,988,010

Total Proposed Hook-Up Fees

	Existing HUF \$	1,150 \$	New HUF 4,700 \$	2015	2016	2017	2018	2019	2020	2021	2022
Factor	1.00	1.00	Factor	607	607	607	607	607	607	607	607
5/8-inch cust.	1.50	1.50	1.50	1,297	1,297	1,297	1,297	1,297	1,297	1,297	1,297
3/4-inch cust.	2.50	2.50	2.50	995	995	995	995	995	995	995	995
1-inch cust.	5.00	5.00	5.00	31	31	31	31	31	31	31	31
1.5-inch cust.	8.00	8.00	8.00	53	53	53	53	53	53	53	53
2-inch cust.	16.00	16.00	16.00	-	-	-	-	-	-	-	-
3-inch cust.	-	-	-	-	-	-	-	-	-	-	-
Customer Growth	-	-	-	2,983	2,983	2,983	2,983	2,983	2,983	2,983	2,983
Total Customers	-	-	-	57,263	60,246	63,229	66,212	69,195	72,178	75,162	78,145
5/8-inch cust.	\$ 1,150	\$ 1,150	\$ 1,150	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540	\$ 2,854,540
3/4-inch cust.	\$ 1,725	\$ 1,725	\$ 1,725	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062	\$ 9,144,062
1-inch cust.	\$ 2,875	\$ 2,875	\$ 2,875	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454	\$ 11,689,454
1.5-inch cust.	\$ 5,750	\$ 5,750	\$ 5,750	\$ 729,057	\$ 729,057	\$ 729,057	\$ 729,057	\$ 729,057	\$ 729,057	\$ 729,057	\$ 729,057
2-inch cust.	\$ 9,200	\$ 9,200	\$ 9,200	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279	\$ 1,965,279
3-inch cust.	\$ 18,400	\$ 18,400	\$ 18,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total HUF Collections	-	-	-	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394	\$ 26,402,394
Balance Forward	-	-	-	\$ 264,129,961	\$ 290,532,355	\$ 316,934,748	\$ 343,337,142	\$ 369,739,536	\$ 396,141,930	\$ 422,544,324	\$ 448,946,718
Existing capex program	-	-	-	150,068,193	155,780,039	161,501,885	167,223,731	172,945,577	178,667,423	184,389,269	190,111,115
Net Unfunded Plant	-	-	-	114,071,768	134,752,315	155,432,863	176,113,411	196,793,959	217,474,507	238,155,055	258,835,603